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Message Text

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10
ACTION NEA-12

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02

COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-10 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SPC-03 SS-20 STR-08 TRSE-00 XMB-07 PA-04 PRS-01

USIA-15 /170 W
---------- 016940
R 230900Z FEB 74
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 9872
INFO AMEMBASSY TEHRAN
AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS

LIMITED OFFICIAL USE NEW DELHI 2636

E.O. 11652: N/A
TAGS: ENRG, IN, IR
SUBJECT: ENERGY: INDIAN-IRANIAN AGREEMENT

SUMMARY: ON HIS RETURN FROM IRAN SWARAN SINGH
ANNOUNCED AGREEMENT ON A MAJOR TRADE AGREEMENT PROVIDING
FOR INCREASED IRANIAN SUPPLIES OF CRUDE WITH "FINANCIAL
FACILITIES" IN EXCHANGE FOR CEMENT AND STEEL AS WELL AS
LONG TERM SUPPLIES OF INDIAN ORIN ORE AND SLUMINA. DETAILS
OF THE ARRANGEMENT ARE NOT YET AVAILABLE BUT INDIA APPARENTLY
HAS ACHIEVED ITS GOAL OF SECURING DEFERRED PAYMENTS
FOR AT LEAST SOME OF ITS CURRENT SUPPLIES OF CRUDE. END
SUMMARY.

1. ON HIS RETURN FROM IRAN EXTERNAL AFFAIRS MINISTER
SWARAN SINGH INFORMED PARLIAMENT THAT INDIA AND IRAN HAD REACHED
AGREEMENT ON AWIDE RANGE OF TRADE MATTERS. IRAN HAD
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AGREED TO THE EXPANSION OF THE MADRAS REFINERY FROM

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2.8 TO 3.5 MILLION TONS PER YEAR. CRUDE SUPPLIES WOULD
ALSO BE INCREASED AND IRAN HAD AGREED TO PROVIED "FINANCIAL
FACILITIES" TO COVER CRUDE FOR THIS REFINERY AS WELL AS FOR
ADDITIONAL CRUDE SUPPLIES.

2. INDIA WOULD SUPPLY IRAN WITH 300,000 TONS OF CEMENT AND
65,000 TONS OF STEEL PRODUCTS INCLUDING RAILS. INDIA WOULD
ALSO PROVIDE MACHINERY, RAILWAY CARS AND ENGINEERING GOODS.

3. IRAN WILL PROVIDE TWO CREDITS TOTALLING ABOUT $370 MILLION
FOR THE EXPANSION OF THE KARNATAKA IRONORE PROJECT AND FOR
EXPANISION OF ALUMINA FACILITIES. INDIA WOULD SUPPLY 2.5
MILLION TONS OF IRON ORE PELLETS AND 100,000 TONS OF ALUMINA
PER YEAR TO IRAN OVER 20 YEARS WHEN THESE PROJECTS ARE COMPLETED.
DETAILED CREDIT ARRANGEMENTS REMAIN TO BE WORKED OUT.

4. INDIA WILL ALSO SUPPLY FISHING TRAWLERS AND TRAIN
IRANIANS IN FISHING TECHNIQUES.

5. SWARAN SINGH STATES THAT THE SHAH HAD TOLD HIM THAT IRAN
WAS PREPARED TO HELP DEVELOPING COUNTRIES WITH THEIR BALANCE
OF PAYMENTS DIFFICULTIES ARISING FORM CRUDE PRICE INCREASED.
IRAN WOULD CONTRIBUTE TO A NEUTRAL DEVELOPMENT ORGANIZATION
AND HE HOPED THAT ALL OIL EXPORTING COUNTRIES AND THE
DEVELOPED COUNTRIES WOULD DO LIKEWISE

COMMENT IN A CONVERSATION WITH CONGRESSMAN FRELINGHUYSEN
AND ME FEBRUARY 23 SWARAN SINGH BROADLY CONFIRMED THE
DETAILS OF THE AGREEMENT GIVEN ABOVE. IT APPEARS THAT
INDIA HAS ATTAINED ITS OBJECTIVE. INDIAN NEGOTIATORS GOING
TO IRAN HAD ABANDONED ANY HOPE OF GETTING ANY DE JURE REDUCTION
IN CRUDE PRICES. THEY WERE SEEKING AN AGREEMENT
WHEREBY INDIA WOULD ONLY PAY PART OF ITS CRUDE BILL IN FOREIGN
EXCHANGE WITH THE REMAINDER (IN RUPEES) DEPOSITED IN INDIAN
BANKS AND UTILIZED FOR DEVELOPMENT OF EXPORT PROJECTS WHICH
WOULD BE SHIPPED TO IRAN. THE IRON ORE AND ALUMINA PROJECTS
SOUND AS THOUGH THEY FIT INTO THIS PATTERN. INDIAN PROVISION
OF LARGE AMOUNTS OF STEEL AND CEMENT TO IRAN WILL PROVE
DIFFICULT IN LIGHT OF DOMESTIC SHORTAGES OF BOTH PRODUCTS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, IRON, PETROLEUM, PRICES, LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974NEWDE02636
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740213/aaaaamew.tel
Line Count: 107
Locator: TEXT ON-LINE
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 14 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14-Aug-2002 by worrelsw>; APPROVED <15-Aug-2002 by MorefiRH>
Review Markings:

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Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ENERGY: INDIAN-IRANIAN AGREEMENT SUMMARY: ON HIS RETURN FROM IRAN SWARAN SINGH
TAGS: ENRG, IN, IR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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